

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Bruce</u>	County Macomb
Audit Date March 31, 2004	Opinion Date June 10, 2004	Date Accountant Report Submitted To State: August 10, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 10 S. Main Street, Suite 200	City Mount Clemens	State MI	ZIP 48043-7903
Accountant Signature  			

# **Township of Bruce Macomb County, Michigan**

---

**Financial Report  
with Additional Information  
March 31, 2004**

# Township of Bruce

---

## Contents

<b>Report Letter</b>	<b>I</b>
<b>General Purpose Financial Statements</b>	
Combined Balance Sheet - All Fund Types and Account Groups	2-3
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	4
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types	5-6
Statement of Revenue, Expenses, and Changes in Retained Earnings - Proprietary Fund Type - Enterprise - Sewer Fund	7
Statement of Cash Flows - Proprietary Fund Type - Enterprise - Sewer Fund	8
Notes to Financial Statements	9-20
<b>Report Letter</b>	<b>21</b>
<b>Additional Information</b>	
General Fund:	
Schedule of Revenue - Budget and Actual	22
Schedule of Expenditures - Budget and Actual	23
Special Revenue Funds:	
Combining Balance Sheet	24
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	25
Capital Projects Funds:	
Combining Balance Sheet	26
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	27
Agency Funds - Combining Balance Sheet	28
Schedule of Indebtedness	29



**Plante & Moran, PLLC**  
Suite 200  
10 S. Main St.  
Mount Clemens, MI 48043  
Tel: 586.465.2200  
Fax: 586.469.0165  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Township of Bruce  
Macomb County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Bruce as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Bruce's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Bruce as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

June 10, 2004

A member of



A worldwide association of Independent accounting firms

# Township of Bruce

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 726,927	\$ 1,367,582	\$ 119,388
Investments (Note 2)	213,087	153,280	60,054
Receivables:			
Taxes	18,387	62,932	-
Special assessments	36,177	36,176	215,613
Customers	-	-	-
Contracts and other	-	426	-
Due from other funds (Note 3)	32,532	27,089	-
Due from other governmental units	-	-	-
Prepaid expenditures and other assets	20,991	51,427	-
Capital assets (Note 4)	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	<u><b>\$ 1,048,101</b></u>	<u><b>\$ 1,698,912</b></u>	<u><b>\$ 395,055</b></u>
<b>Liabilities and Fund Equity</b>			
<b>Liabilities</b>			
Accounts payable	\$ 43,149	\$ 60,211	\$ 62
Due to other governmental units	-	-	-
Accrued and other liabilities	-	1,005	-
Due to other funds	6,371	306	549
Deferred revenue	36,177	117,285	215,613
Deposits	-	-	-
Long-term debt (Note 5)	-	-	-
Total liabilities	85,697	178,807	216,224
<b>Fund Equity</b>			
Contributed capital (Note 6)	-	-	-
Investment in general fixed assets	-	-	-
Retained earnings	-	-	-
Fund balances:			
Reserved for prepaid expenditures	20,991	51,427	-
Unreserved:			
Designated for cemetery perpetual care	-	16,865	-
Designated for postretirement health care costs	100,000	100,000	-
Undesignated	841,413	1,351,813	178,831
Total fund equity	962,404	1,520,105	178,831
Total liabilities and fund equity	<u><b>\$ 1,048,101</b></u>	<u><b>\$ 1,698,912</b></u>	<u><b>\$ 395,055</b></u>

**Combined Balance Sheet - All Fund Types and Account Groups**  
**March 31, 2004**

	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
Debt Service	Enterprise	Agency	General Fixed Assets	General Long-term Debt	
\$ -	\$ 566,685	\$ 293,893	\$ -	\$ -	\$ 3,074,475
-	116,481	-	-	-	542,902
-	-	-	-	-	81,319
736	-	-	-	-	288,702
-	26,482	-	-	-	26,482
-	295	1,829	-	-	2,550
-	-	6,344	-	-	65,965
-	-	59,843	-	-	59,843
-	448	-	-	-	72,866
-	2,906,077	-	6,273,240	-	9,179,317
-	-	-	-	952,915	952,915
<b>\$ 736</b>	<b>\$ 3,616,468</b>	<b>\$ 361,909</b>	<b>\$ 6,273,240</b>	<b>\$ 952,915</b>	<b>\$ 14,347,336</b>
\$ -	\$ 88,632	\$ -	\$ -	\$ -	\$ 192,054
-	-	88,969	-	-	88,969
-	100	112,513	-	-	113,618
-	-	58,739	-	-	65,965
736	-	-	-	-	369,811
-	-	101,688	-	-	101,688
-	-	-	-	952,915	952,915
736	88,732	361,909	-	952,915	1,885,020
-	2,362,616	-	-	-	2,362,616
-	-	-	6,273,240	-	6,273,240
-	1,165,120	-	-	-	1,165,120
-	-	-	-	-	72,418
-	-	-	-	-	16,865
-	-	-	-	-	200,000
-	-	-	-	-	2,372,057
-	3,527,736	-	6,273,240	-	12,462,316
<b>\$ 736</b>	<b>\$ 3,616,468</b>	<b>\$ 361,909</b>	<b>\$ 6,273,240</b>	<b>\$ 952,915</b>	<b>\$ 14,347,336</b>

# Township of Bruce

## Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - All Governmental Fund Types Year Ended March 31, 2004

	General	Special Revenue	Capital Projects	Debt Service	Total (Memorandum Only)
<b>Revenue</b>					
Current taxes	\$ 386,303	\$ 1,132,202	\$ -	\$ -	\$ 1,518,505
Licenses and permits	77,663	-	-	-	77,663
State-shared revenue	448,327	-	-	-	448,327
Charges for services	-	538,118	-	-	538,118
Interest earned	20,078	6,537	993	1,438	29,046
Special assessments	-	-	132,985	17,890	150,875
Other local revenue	91,458	2,299	-	-	93,757
Total revenue	1,023,829	1,679,156	133,978	19,328	2,856,291
<b>Expenditures</b>					
General government	475,490	-	-	-	475,490
Public safety	-	1,394,652	-	-	1,394,652
Public services	179,205	4,142	-	-	183,347
Employee benefits and insurance	225,014	-	-	-	225,014
Capital outlay and other	106,549	23,270	97,572	-	227,391
Debt service	-	116,019	53,898	57,029	226,946
Total expenditures	986,258	1,538,083	151,470	57,029	2,732,840
<b>Excess of Revenue Over (Under) Expenditures</b>	37,571	141,073	(17,492)	(37,701)	123,451
<b>Other Financing Sources (Uses)</b>					
Sale of fixed assets	-	128,825	-	-	128,825
Operating transfers in	-	100,000	100,000	37,701	237,701
Operating transfers out	(87,701)	(150,000)	-	-	(237,701)
Total other financing sources (uses)	(87,701)	78,825	100,000	37,701	128,825
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	(50,130)	219,898	82,508	-	252,276
<b>Fund Balances - April 1, 2003</b>	1,012,534	1,300,207	96,323	-	2,409,064
<b>Fund Balances - March 31, 2004</b>	<u>\$ 962,404</u>	<u>\$ 1,520,105</u>	<u>\$ 178,831</u>	<u>\$ -</u>	<u>\$ 2,661,340</u>

# Township of Bruce

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>			
Current taxes	\$ 382,815	\$ 386,303	\$ 3,488
Licenses and permits	51,800	77,663	25,863
State-shared revenue	491,790	448,327	(43,463)
Charges for services	-	-	-
Interest earned	34,000	20,078	(13,922)
Other local revenue	127,500	91,458	(36,042)
Proceeds from issuance of long-term debt	-	-	-
Operating transfers in	-	-	-
Total revenue	1,087,905	1,023,829	(64,076)
<b>Expenditures</b>			
General government	535,800	475,490	60,310
Public safety	-	-	-
Public services	189,575	179,205	10,370
Employee benefits and insurance	296,200	225,014	71,186
Capital outlay and other	117,030	106,549	10,481
Debt service	-	-	-
Operating transfers out	10,050	87,701	(77,651)
Total expenditures	1,148,655	1,073,959	74,696
<b>Excess of Revenue Over (Under) Expenditures</b>	(60,750)	(50,130)	10,620
<b>Fund Balances - April 1, 2003</b>	1,012,534	1,012,534	-
<b>Fund Balances - March 31, 2004</b>	<u>\$ 951,784</u>	<u>\$ 962,404</u>	<u>\$ 10,620</u>



**Combined Statement of Revenue, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
General and Special Revenue Fund Types  
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,050,186	\$ 1,132,202	\$ 82,016
-	-	-
-	-	-
423,936	538,118	114,182
31,200	6,537	(24,663)
3,500	131,124	127,624
(26,000)	-	26,000
46,042	100,000	53,958
1,528,864	1,907,981	379,117
-	-	-
1,513,540	1,394,652	118,888
5,800	4,142	1,658
-	-	-
85,360	23,270	62,090
125,418	116,019	9,399
100,000	150,000	(50,000)
1,830,118	1,688,083	142,035
(301,254)	219,898	521,152
1,300,207	1,300,207	-
<b>\$ 998,953</b>	<b>\$ 1,520,105</b>	<b>\$ 521,152</b>

# Township of Bruce

## **Statement of Revenue, Expenses, and Changes in Retained Earnings Proprietary Fund Type - Enterprise - Sewer Fund Year Ended March 31, 2004**

<b>Operating Revenue</b> - Charges for services	\$ 168,323
<b>Operating Expenses</b>	
Cost of sewage disposal	60,000
Operation and maintenance	183,257
General and administrative	13,405
Depreciation and amortization	<u>69,324</u>
Total operating expenses	<u>325,986</u>
<b>Operating Loss</b>	(157,663)
<b>Nonoperating Income</b>	
Privilege fees	21,600
Insurance recoveries	19,864
Interest income	<u>5,909</u>
Total nonoperating income	<u>47,373</u>
<b>Net Loss</b>	(110,290)
<b>Add Depreciation on Fixed Assets Acquired by Grants, Entitlements, and Shared Revenue Externally Restricted for Capital Acquisition that Reduces Contributed Capital</b>	<u>13,943</u>
<b>Decrease in Retained Earnings</b>	(96,347)
<b>Retained Earnings - April 1, 2003</b>	<u>1,261,467</u>
<b>Retained Earnings - March 31, 2004</b>	<u><u>\$ 1,165,120</u></u>

# Township of Bruce

## Statement of Cash Flows Proprietary Fund Type - Enterprise - Sewer Fund Year Ended March 31, 2004

### Cash Flows from Operating Activities

Operating loss	\$ (157,663)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	69,324
Changes in assets and liabilities:	
Receivables	5,149
Due from other funds	1,800
Prepaid expenses and other assets	(117)
Accounts payable	56,430
Accrued and other liabilities	<u>100</u>
Net cash used in operating activities	(24,977)

### Cash Flows from Capital and Related Financing Activities - Collection of customer assessments

21,600

### Cash Flows from Investing Activities

Interest received on investments	5,909
Purchase of investments	(2,280)
Proceeds from insurance	<u>19,864</u>
Net cash provided by investing activities	<u>23,493</u>

**Net Increase in Cash and Cash Equivalents** 20,116

**Cash and Cash Equivalents - April 1, 2003** 546,569

**Cash and Cash Equivalents - March 31, 2004** \$ 566,685

There were no noncash capital, financing, or investing activities during the year.

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Bruce (the "Township") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

### **Reporting Entity**

The Township is governed by an elected, five-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Bruce and its component units. The Building Authority is included in the Township's reporting entity because of the significance of its operational and financial relationship with the Township.

The Building Authority is governed by a board that is appointed by the Township Board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Township's Economic Development Corporation and Hospital Finance Authority have no financial activity and are, therefore, excluded from the Township's general purpose financial statements.

### **Fund Accounting**

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

#### **Governmental Funds**

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Projects Funds** - The Capital Projects Funds are used to account for the development of capital facilities other than those financed by the operations of an Enterprise Fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the annual payment of principal, interest, and expenses in connection with certain long-term debt other than debt payable from the operations of the Enterprise Fund.

#### **Proprietary Fund**

**Enterprise Fund** - The Enterprise Fund is used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

#### **Fiduciary Funds**

**Agency Funds** - Agency Funds are used to account for assets held by the Township as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

#### **Basis of Accounting**

The accrual basis of accounting is used by the proprietary fund. All governmental funds and Agency Funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed on December 1 of the following year and become a lien at that time. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

- b. Principal and interest on bonded indebtedness and other long-term debt are not recorded as expenditures until their due dates.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

### Note 1 - Summary of Significant Accounting Policies (Continued)

- d. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.
- e. Interest income on special assessments receivable is not accrued until its due date.
- f. Normally, expenditures are not divided between years by the recording of prepaid expenses. Prepaid expenditures reported in the General Fund and the Special Revenue Funds represent advanced payment for future year expenditures.

**Fixed Assets and Long-term Liabilities** - Fixed assets used in governmental fund-type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks, and lighting systems. No depreciation has been provided on the general fixed assets.

All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis.

**Cash Equivalents** - For the purpose of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments** - Investments are recorded at fair value based on quoted market prices.

**Memorandum-only Totals** - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Upcoming Reporting Change** - For the year beginning April 1, 2004, the Township plans to adopt GASB Statement No. 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant funds, as well as in total on the full accrual basis of accounting. Information is not available to present pro forma data that would show the effect of this future change.

Other accounting policies are disclosed in other notes to the financial statements.

### Note 2 - Cash and Investments

The Township's deposits and investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 3,074,475
Investments	<u>542,902</u>
Total	<u>\$ 3,617,377</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 871,428
Investments:	
Bank investment pool	2,448,313
Interlocal agreement investment pool	116,639
Mutual funds	180,828
Petty cash or cash on hand	<u>169</u>
Total	<u>\$ 3,617,377</u>

### Note 2 - Cash and Investments (Continued)

#### Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$929,000. Of that amount, approximately \$283,000 was covered by federal depository insurance and approximately \$646,000 was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits.

As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Investments

The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

Investment earnings of the Agency and Improvement Revolving Funds are allocated to the General Fund pursuant to a resolution by the Board of Trustees.

Investments are normally categorized to give an indication of the level of risk assumed by the Township. The bank investment pool, interlocal agreement investment pool, and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The mutual funds are registered with the SEC. The bank investment pool is regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pool and interlocal agreement pool is the same as the value of the pool shares. The Township believes that the investments in these funds comply with the investment authority noted above.



# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 3 - Interfund Receivables

Following are the interfund receivables at March 31, 2004:

General Fund - Due from:

Improvement Revolving Fund	\$ 159
Current Tax Fund	7,589
Trust and Agency Fund	24,157
Henry Ross Special Assessment District Fund	549
Fire Fund	<u>78</u>

Total General Fund 32,532

Special Revenue Funds:

Fire Fund - Due from Trust and Agency Fund	8,980
Advanced Life Support Fund - Due from Trust and Agency Fund	8,982
Romeo Service Contract Fund - Due from:	
General Fund	30
Advanced Life Support Fund	67
Trust and Agency Fund	<u>9,030</u>

Total Special Revenue Funds 27,089

Fiduciary funds:

Current Tax Fund - Due from General Fund	5,642
Trust and Agency Fund - Due from General Fund	<u>702</u>

Total fiduciary funds 6,344

Total interfund receivables \$ 65,965

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 4 - Capital Assets

A summary of changes in general fixed assets at March 31, 2004 follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$ 796,770	\$ -	\$ 50,000	\$ 746,770
Municipal building	3,372,037	23,250	51,135	3,344,152
Vehicles and equipment	2,044,688	10,686	-	2,055,374
Office furniture	67,870	8,419	-	76,289
Computer equipment	61,929	17,668	28,942	50,655
Total	<u>\$ 6,343,294</u>	<u>\$ 60,023</u>	<u>\$ 130,077</u>	<u>\$ 6,273,240</u>

A summary of proprietary fund fixed assets at March 31, 2004 follows:

	Enterprise Fund	Depreciable Life - Years
Sewer system	\$ 3,959,568	60
Less accumulated depreciation	<u>(1,053,491)</u>	
Net proprietary fund fixed assets	<u>\$ 2,906,077</u>	

### Note 5 - Long-term Debt

#### Changes in Long-term Debt

The following is a summary of general long-term debt transactions of the Township for the year ended March 31, 2004:

Balance - April 1, 2003	\$ 1,123,953
Debt retired	(186,568)
Increase in compensated absences	<u>15,530</u>
Balance - March 31, 2004	<u>\$ 952,915</u>

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 5 - Long-term Debt (Continued)

#### Outstanding Debt

The following is a summary of the debt outstanding of the Township as of March 31, 2004:

	Interest Rate (Percent)	Maturing Through	Principal Outstanding
General long-term debt:			
2002 special assessment bonds	3.40-3.70	2012	\$ 315,000
Fire truck loan	4.00	2007	187,138
Fire station loan	3.86	2012	346,086
Compensated absences	-	-	<u>104,691</u>
 Total general long-term debt			 <u>\$ 952,915</u>

The 2002 special assessment bonds represent the financing of public improvements that benefit specific districts. These districts are specially assessed at 60 percent of the cost of the improvements while the Township is assessed at 40 percent of the cost. At March 31, 2004, there is approximately \$216,000 of special assessments receivable in the future; the amount of special assessments receivable delinquent at March 31, 2004 is not significant. Under Michigan law, the Township is secondarily liable for repayment of these bonds.

Compensated absences represent the estimated liability to be paid governmental fund-type employees under the Township's sick, personal, and vacation pay policy, net of the portion that is estimated will be paid currently, which has been recorded as a liability in the applicable governmental fund. Under the Township's policy, employees earn sick, personal, and vacation time based on time of service with the Township.

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 5 - Long-term Debt (Continued)

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2004 (excluding compensated absences), including both principal and interest, are as follows:

<u>Years Ending March 31</u>	<u>Total</u>
2005	\$ 166,103
2006	164,743
2007	163,383
2008	95,131
2009	93,771
Thereafter	<u>288,738</u>
Total	<u>\$ 971,869</u>

#### Interest

Total interest incurred by the Township for the year was \$39,430.

### Note 6 - Contributed Capital

The following is an analysis of contributed capital by source for the Sewer Fund:

	<u>Balance April 1, 2003</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Federal, state, and local grants	\$ 1,085,377	\$ -	\$ 1,085,377
Sewer mains constructed by developers	1,860,662	-	1,860,662
Less accumulated depreciation on fixed assets acquired by grants, entitlement, and shared revenue externally restricted for capital acquisition that reduces contributed capital	<u>(569,480)</u>	<u>(13,943)</u>	<u>(583,423)</u>
Total	<u>\$ 2,376,559</u>	<u>\$ (13,943)</u>	<u>\$ 2,362,616</u>

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 7 - Budget Information

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the following exceptions:

- Operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- The proceeds from sales of fixed assets have been included in the "revenue" category, rather than as "other financing sources."

The combined statement of revenue, expenditures, and changes in fund balances - budget and actual - General and Special Revenue Fund types is presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budget statements of the General Fund and Special Revenue Funds to the operating statements:

	General Fund		Special Revenue Funds	
	Revenue	Expenditures	Revenue	Expenditures
Budget statement amount	\$ 1,023,829	\$ 1,073,959	\$ 1,907,981	\$ 1,688,083
Sale of fixed assets	-	-	(128,825)	-
Operating transfers in	-	-	(100,000)	-
Operating transfers out	-	(87,701)	-	(150,000)
Total operating statement amount	<u>\$ 1,023,829</u>	<u>\$ 986,258</u>	<u>\$ 1,679,156</u>	<u>\$ 1,538,083</u>

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in the general purpose financial statements. This comparison shows no expenditure budget overruns except for operating transfers out, which is due to amounts not budgeted for, as described below:

- Transferring an amount necessary for the final 1994 Special Assessment Debt Service Fund principal and interest payment

### Note 7 - Budget Information (Continued)

- \$50,000 transferred to the Henry Ross Special Assessment Capital Project Fund to cover project expenditures. This amount will be reimbursed to the General Fund via collections of special assessments levied in future years.

A comparison of the actual results of operations to the Special Revenue Funds budgets as adopted by the Township Board is available at the Township offices for inspection.

### Note 8 - Joint Ventures

The Township is a member of four joint ventures:

- Romeo-Washington-Bruce Parks and Recreation (R.W.B.P.R.)
- Senior Transportation through Advanced Reservation (S.T.A.R.)
- Romeo-Washington-Bruce Tri-Community Cable Communications Commission
- Romeo District Library

The joint ventures' governing boards are comprised of appointed members from each participating municipality. The Township appoints three members each to R.W.B.P.R.'s and S.T.A.R.'s governing boards, two members to the Romeo-Washington-Bruce Tri-Community Cable Communications Commission governing board, and one member to the Romeo District Library board. The boards then approve the annual budgets.

The principal revenue sources of R.W.B.P.R., S.T.A.R., and the Romeo District Library are user fees and a voted property tax. The principal revenue source for the Tri-Community Cable Communications Commission is appropriations from the three communities that are equal to the fees paid to the communities by the cable operator.

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. There is no definable equity interest in any of these joint ventures. Complete financial statements for the joint ventures can be obtained from the administrative offices at 223 East Gates Street, Romeo, Michigan.

# Township of Bruce

## Notes to Financial Statements March 31, 2004

### Note 9 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time and specifically identified part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes 16 percent of full-time employees' and 10 percent of part-time employees' base earnings. In accordance with these requirements, the Township contributed \$157,164 and the employees contributed \$59,156 during the current year.

### Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all such risks. Settled claims relating to insurance plans have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 11 - Contingency

The Township is a defendant in a lawsuit. The potential outcome is not determinable at the present time. It is the opinion of management that any liabilities resulting from this lawsuit will not have a materially adverse effect on combined operations or combined financial position.

### Note 12 - State Construction Code Act

The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999 (the "Act"), the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Accumulated expenditures over revenue - April 1, 2003	\$ (185,209)
2002-2003 building department activity:	
Current year revenue	77,663
Current year expenditures	<u>(133,536)</u>
Excess of expenditures over revenue	<u>(55,873)</u>
Accumulated expenditures over revenue - March 31, 2004	<u><u>\$ (241,082)</u></u>

## **Additional Information**

---





**Plante & Moran, PLLC**  
Suite 200  
10 S. Main St.  
Mount Clemens, MI 48043  
Tel: 586.465.2200  
Fax: 586.469.0165  
plantemoran.com

To the Board of Trustees  
Township of Bruce  
Macomb County, Michigan

We have audited the general purpose financial statements of the Township of Bruce for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Township of Bruce. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Plante & Moran, PLLC*

June 10, 2004



A worldwide association of independent accounting firms

# Township of Bruce

## General Fund - Schedule of Revenue - Budget and Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Current Taxes</b> - Real and personal property taxes	\$ 382,815	\$ 386,303	\$ 3,488
<b>Licenses and Permits</b>	51,800	77,663	25,863
<b>State-shared Revenue</b>	491,790	448,327	(43,463)
<b>Interest Earned</b>	34,000	20,078	(13,922)
<b>Other Local Revenue</b>			
Mobile home fees	2,000	2,255	255
Franchise fees	40,000	42,030	2,030
Contribution	2,500	2,500	-
Miscellaneous	83,000	44,673	(38,327)
Total other local revenue	127,500	91,458	(36,042)
Total revenue	<u>\$ 1,087,905</u>	<u>\$ 1,023,829</u>	<u>\$ (64,076)</u>

# Township of Bruce

## General Fund - Schedule of Expenditures - Budget and Actual Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
<b>General Government</b>			
Township Board	\$ 40,200	\$ 26,032	\$ 14,168
Township Supervisor	41,600	41,600	-
Elections	4,500	385	4,115
Assessing	152,500	140,918	11,582
Legal fees	20,250	17,795	2,455
Township Clerk	41,600	41,600	-
General office	100,500	87,290	13,210
Accounting and audit	77,500	64,886	12,614
Board of Review	1,200	912	288
Tax roll preparation	14,350	12,472	1,878
Township Treasurer	41,600	41,600	-
Total general government	535,800	475,490	60,310
<b>Public Services</b>			
Zoning Board of Appeals	1,375	815	560
Cemeteries	10,000	6,152	3,848
Township hall	24,000	21,787	2,213
Inspections	125,000	123,968	1,032
Street lighting	6,000	5,824	176
Engineering	2,500	1,133	1,367
Planning	15,200	14,201	999
Ordinance enforcement	5,500	5,325	175
Total public services	189,575	179,205	10,370
<b>Employee Benefits and Insurance</b>			
Insurance and other	183,000	119,542	63,458
Pension plan	69,000	65,022	3,978
Employer payroll taxes	44,200	40,450	3,750
Total employee benefits and insurance	296,200	225,014	71,186
<b>Capital Outlay and Other</b>			
Road chloride and paving	32,000	27,900	4,100
Capital outlay	43,000	36,619	6,381
Cable TV studio	42,030	42,030	-
Total capital outlay and other	117,030	106,549	10,481
<b>Operating Transfers Out</b>	10,050	87,701	(77,651)
Total expenditures	<u>\$ 1,148,655</u>	<u>\$ 1,073,959</u>	<u>\$ 74,696</u>

# Township of Bruce

## Special Revenue Funds - Combining Balance Sheet March 31, 2004

	Fire	Improvement Revolving	Advanced Life Support	Romeo Service Contract	McCafferty Cemetery	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 432,187	\$ 251,242	\$ 475,195	\$ 192,093	\$ 16,865	\$ 1,367,582
Investments	76,640	-	76,640	-	-	153,280
Receivables:						
Taxes	27,191	-	35,741	-	-	62,932
Special assessments	-	-	36,176	-	-	36,176
Other	168	-	175	83	-	426
Due from other funds	8,980	-	8,982	9,127	-	27,089
Prepaid expenditures and other assets	18,070	-	23,906	9,451	-	51,427
<b>Total assets</b>	<b>\$ 563,236</b>	<b>\$ 251,242</b>	<b>\$ 656,815</b>	<b>\$ 210,754</b>	<b>\$ 16,865</b>	<b>\$ 1,698,912</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 13,434	\$ -	\$ 23,584	\$ 23,193	\$ -	\$ 60,211
Due to other funds	79	160	67	-	-	306
Accrued and other liabilities	1,005	-	-	-	-	1,005
Deferred revenue	-	-	36,176	81,109	-	117,285
<b>Total liabilities</b>	<b>14,518</b>	<b>160</b>	<b>59,827</b>	<b>104,302</b>	<b>-</b>	<b>178,807</b>
<b>Fund Balances</b>						
Reserved for prepaid expenditures	18,070	-	23,906	9,451	-	51,427
Unreserved:						
Designated for cemetery perpetual care	-	-	-	-	16,865	16,865
Designated for postretirement health care costs	50,000	-	50,000	-	-	100,000
Undesignated	480,648	251,082	523,082	97,001	-	1,351,813
<b>Total fund balances</b>	<b>548,718</b>	<b>251,082</b>	<b>596,988</b>	<b>106,452</b>	<b>16,865</b>	<b>1,520,105</b>
<b>Total liabilities and fund balances</b>	<b>\$ 563,236</b>	<b>\$ 251,242</b>	<b>\$ 656,815</b>	<b>\$ 210,754</b>	<b>\$ 16,865</b>	<b>\$ 1,698,912</b>

# Township of Bruce

## Special Revenue Funds - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Fire	Improvement Revolving	Advanced Life Support	Romeo Service Contract	McCafferty Cemetery	Total
<b>Revenue</b>						
Current taxes	\$ 491,574	\$ -	\$ 640,628	\$ -	\$ -	\$ 1,132,202
Charges for services	62,883	-	61,307	413,928	-	538,118
Interest earned	2,641	-	2,245	1,558	93	6,537
Other local revenue	359	-	515	-	1,425	2,299
Total revenue	557,457	-	704,695	415,486	1,518	1,679,156
<b>Expenditures</b>						
Public safety	402,260	-	613,659	378,733	-	1,394,652
Public services	-	-	-	-	4,142	4,142
Capital outlay	14,021	-	8,880	369	-	23,270
Debt service	91,301	-	24,718	-	-	116,019
Total expenditures	507,582	-	647,257	379,102	4,142	1,538,083
<b>Excess of Revenue Over (Under) Expenditures</b>	49,875	-	57,438	36,384	(2,624)	141,073
<b>Other Financing Sources (Uses)</b>						
Sale of fixed assets	-	-	128,825	-	-	128,825
Operating transfers in	50,000	-	50,000	-	-	100,000
Operating transfers out	-	-	(50,000)	(100,000)	-	(150,000)
Total other financing sources (uses)	50,000	-	128,825	(100,000)	-	78,825
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	99,875	-	186,263	(63,616)	(2,624)	219,898
<b>Fund Balances - April 1, 2003</b>	448,843	251,082	410,725	170,068	19,489	1,300,207
<b>Fund Balances - March 31, 2004</b>	<u>\$ 548,718</u>	<u>\$ 251,082</u>	<u>\$ 596,988</u>	<u>\$ 106,452</u>	<u>\$ 16,865</u>	<u>\$ 1,520,105</u>

# Township of Bruce

## Capital Projects Funds - Combining Balance Sheet March 31, 2004

	2002 Special Assessment	Henry Ross Special Assessment	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 96,624	\$ 22,764	\$ 119,388
Investments	50,038	10,016	60,054
Receivables - Special assessments	<u>215,613</u>	<u>-</u>	<u>215,613</u>
Total assets	<u><b>\$ 362,275</b></u>	<u><b>\$ 32,780</b></u>	<u><b>\$ 395,055</b></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 62	\$ -	\$ 62
Due to other funds	-	549	549
Deferred revenue	<u>215,613</u>	<u>-</u>	<u>215,613</u>
Total liabilities	215,675	549	216,224
<b>Fund Balances - Undesignated</b>	<u>146,600</u>	<u>32,231</u>	<u>178,831</u>
Total liabilities and fund balances	<u><b>\$ 362,275</b></u>	<u><b>\$ 32,780</b></u>	<u><b>\$ 395,055</b></u>

# Township of Bruce

## Capital Projects Funds - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	2002 Special Assessment	Henry Ross Special Assessment	Total
<b>Revenue</b>			
Interest earned	\$ 616	\$ 377	\$ 993
Special assessments	<u>105,338</u>	<u>27,647</u>	<u>132,985</u>
Total revenue	105,954	28,024	133,978
<b>Expenditures</b>			
Capital outlay	1,779	95,793	97,572
Debt service	<u>53,898</u>	<u>-</u>	<u>53,898</u>
Total expenditures	<u>55,677</u>	<u>95,793</u>	<u>151,470</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	50,277	(67,769)	(17,492)
<b>Other Financing Sources</b> - Operating transfers in	<u>-</u>	<u>100,000</u>	<u>100,000</u>
<b>Excess of Revenue and Other Financing Sources Over Expenditures</b>	50,277	32,231	82,508
<b>Fund Balances</b> - April 1, 2003	<u>96,323</u>	<u>-</u>	<u>96,323</u>
<b>Fund Balances</b> - March 31, 2004	<u>\$ 146,600</u>	<u>\$ 32,231</u>	<u>\$ 178,831</u>

# Township of Bruce

## Agency Funds - Combining Balance Sheet March 31, 2004

	<u>Current Tax</u>	<u>Trust and Agency</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,372	\$ 292,521	\$ 293,893
Receivables - Contracts and other	613	1,216	1,829
Due from other funds	5,642	702	6,344
Due from other governmental units	-	59,843	59,843
	<u>-</u>	<u>59,843</u>	<u>59,843</u>
Total assets	<u><u>\$ 7,627</u></u>	<u><u>\$ 354,282</u></u>	<u><u>\$ 361,909</u></u>
<b>Liabilities</b>			
Due to other governmental units	\$ 38	\$ 88,931	\$ 88,969
Accrued and other liabilities	-	112,513	112,513
Due to other funds	7,589	51,150	58,739
Deposits	-	101,688	101,688
	<u>-</u>	<u>101,688</u>	<u>101,688</u>
Total liabilities	<u><u>\$ 7,627</u></u>	<u><u>\$ 354,282</u></u>	<u><u>\$ 361,909</u></u>



# Township of Bruce

## Schedule of Indebtedness March 31, 2004

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding
<b>General Long-term Debt Account Group</b>				
2002 Special Assessment Limited Tax Bonds				
Date of issue - 2002				
Amount of issue - \$375,000				
	3.40	02/01/05-09	\$ 40,000	\$ 200,000
	3.50	02/01/10	40,000	40,000
	3.60	02/01/11	40,000	40,000
	3.70	02/01/12	35,000	35,000
Total 2002 special assessment bonds				315,000
2002 fire truck loan				
Date of issue - 2002				
Amount of issue - \$300,000				
	4.00	2005	59,887	59,887
	4.00	2006	62,361	62,361
	4.00	2007	64,890	64,890
Total fire truck loan				187,138
2002 fire hall loan				
Date of issue - 2002				
Amount of issue - \$400,000				
	3.86	2005	35,357	35,357
	3.86	2006	36,766	36,766
	3.86	2007	38,231	38,231
	3.86	2008	39,733	39,733
	3.86	2009	41,338	41,338
	3.86	2010	42,985	42,985
	3.86	2011	44,698	44,698
	3.86	2012	46,476	46,476
	3.86	2013	20,502	20,502
Total fire hall loan				346,086
Total General Long-term Debt Account Group				<u><u>\$ 848,224</u></u>

June 10, 2004

Board of Trustees  
Township of Bruce  
223 East Gates  
Romeo, MI 48065

Dear Members of the Board:

We have recently completed our audit of the financial statements of the Township of Bruce for the year ended March 31, 2004. In addition to our audit report, we offer the following comments and recommendations for your consideration.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of the Township of Bruce for the year ended March 31, 2004, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted instances involving the internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We noted the following reportable conditions that we do not believe to be a material weakness.

We commend the Township for the timeliness of the bank reconciliation process this year. However, due to the small size of the accounting department, there is a lack of segregation of duties related to the preparation of one bank account reconciliation (general checking) whereby the same individual prepares the reconciliation and has access to the general ledger, including the posting of journal entries. It is our

understanding that subsequent to year-end, the preparer of the reconciliations will no longer have access to the general ledger.

In addition, it is our understanding that reviews of the bank reconciliations were taking place, however, a more formal review of the bank accounts, as evidenced by the signature and approval of a supervisor, would add to the effectiveness of the reconciliation process. Subsequent to year-end, it is our understanding that review of the reconciliations will be evidenced with the reviewer's initials.

In an effort to assist with the Township's continuous improvement efforts, we offer the following additional observations and recommendations that we do not consider to be reportable conditions, some of which were discussed last year.

### **Sewer Operations**

As we mentioned last year, the demand for increased attention to infrastructure continues to grow and develop, the demand for services provided by the sewer fund will also increase. Therefore, the Township will need to look carefully at this fund to ensure it continues to operate effectively. In the past couple years, the fund experienced a reduction in operating income as operating expenditures exceeded operating revenues. In addition, we are aware the Township has been exploring funding for necessary improvements.

Long range capital planning – We encourage the Township, when engaged in sewer budgeting, to take into account probable rate increases from the Village of Romeo as well as future capital needs. One technique that some other communities have found helpful is to create a separate accounting for those revenues that are intended to be used for long term capital purposes (debt coverage or infrastructure improvements). The benefits of such a restriction are twofold:

- This communicates to the public that the intent of this portion of the fees are to cover capital needs, rather than current operating needs; and
- Restricting these assets can facilitate a longer term investing strategy (since the assets are not intended to be spent currently, investing in longer term assets is generally appropriate, which increases the investment earnings of the system).

### **State Shared Revenue**

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 44% of the Township's total General Fund revenue for the fiscal year ended March 31, 2004. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

The following depicts the Township's actual and estimated revenue sharing payments over a four year period - from the State's fiscal year ending September 30, 2001, through the fiscal year ending September 30, 2004.

	Actual FY 2001	Actual FY 2002	Actual FY 2003	Part actual & part estimated FY 2004	Estimated FY 2005
Constitutional	\$ 414,985	\$ 419,212	\$ 426,309	\$ 422,768	\$ 439,669
Statutory	105,369	93,675	72,873	26,471	6,297
Total payments	<u>\$ 520,354</u>	<u>\$ 512,887</u>	<u>\$ 499,182</u>	<u>\$ 449,239</u>	<u>\$ 445,966</u>
Dollar change		\$ (7,467)	\$ (13,705)	\$ (49,943)	\$ (3,273)
Percentage change		-1.43%	-2.67%	-10.00%	-0.73%

While Bruce Township's constitutional revenue sharing payments have been increasing slightly three of the four years shown, the statutory piece of revenue sharing has dropped almost \$80,000 since 2001. For the State's fiscal year 04/05, the Governor has proposed to hold the line on revenue sharing – meaning that FY 04/05 levels will equal FY 03/04 levels – but only for cities, villages and townships. As you can see, the proposed revenue sharing for Bruce Township for the State's fiscal year ending September 30, 2005, is \$445,966, which represents a slight reduction of approximately \$3,000 from the partially estimated amount for the State's fiscal year ending September 30, 2004.

Although sales tax revenue would support an increase to state shared revenue payments, the State's budget situation remains troublesome at best. It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

#### **GASB 34 Reminder**

As we discussed in the past couple years, the Government Accounting Standards Board has issued a major pronouncement that will drastically change the way your financial statements will look. For the Township of Bruce, this pronouncement went into effect on April 1, 2004. During this current year, the Township will need to develop and execute a specific plan on how to derive some of the data that will be required by the new rules. We have assisted many communities in adopting the pronouncement. Our firm has developed a comprehensive package to make the transition to the new reporting model as smooth as possible.

Although there are many differences with this new reporting model, the major additions are as follows:

- Management Discussion and Analysis: Management is now required to give an overview of the Township's overall financial position and results of operations.

- Government-wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the Township from a longer term perspective (i.e. are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the Township's financial picture.
- Budget Comparison: A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township as compared to the current budget, but also as compared to the original budget.

The GASB believes this new model will provide a more complete picture of the financial position of the Township. It is important to note that, although the implementation process has received the most attention, there are on-going aspects of GASB 34 that will continue for future year audits. With additional statements, reconciliation from fund-based to Government-wide reporting, infrastructure tracking and more being added to this new model, there is more preparation needed for the audit, as well as more audit procedures to apply. This increases the workload of both the Township staff and the auditors.

The following concerns related to fixed assets should be addressed:

- We suggest the Township review its records (ordinances or resolutions) to determine if a fixed asset capitalization threshold was previously established and, if so, consistently followed. If not, the Township should institute a capitalization threshold. Consideration should be given to a threshold for GASB 34 purposes as well as for control and safeguarding purposes. For GASB 34 purposes, useful life, depreciation methods, etc., will also need to be considered. We can provide the Township with sample policies.
- With the adoption of GASB 34 effective April 1, 2004, depreciation for the governmental funds' fixed assets will be calculated for the first time. We recommend undertaking a physical inventory before the end of 2004.

### **Accounting and Other Matters**

Safeguarding of assets – While our audit sample testing did not note any misappropriation of assets, we recommend the Township revisit the controls surrounding the safeguarding of assets. This includes the safeguarding of blank check stock, signature stamps, etc., which we understand are kept in locked vaults. Ideally, access to these types of items should be limited to as few people as practically possible. It is our understanding that subsequent to our audit field work, access has been further limited.

Old, outstanding checks – During the audit process, we noted several outstanding checks, which date back a couple of years. We recommend the Township continually evaluate its compliance with the State of Michigan's Uniform Unclaimed Property Act. Based on discussions with Township personnel, we understand that the Township has been in contact with the State of Michigan to ensure compliance.

To the Board of Trustees  
Township of Bruce

-5-

June 10, 2004

This letter is intended solely for the information and use of the Board of Trustees, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We thank the Board for the opportunity to serve as auditors for the Township. We also express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. We are happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink, reading "Christina M. Kostiuk". The signature is written in a cursive, flowing style with a large initial "C".

Christina M. Kostiuk